

TESTIMONY

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URBAN MASS TRANSPORTATION ADMINISTRATION

U.S. DEPARTMENT OF TRANSPORTATION

BEFORE THE COMMITTEE ON FINANCE

SUBCOMMITTEE ON ENERGY AND AGRICULTURAL

TAXATION

OF THE UNITED STATES SENATE

JUNE 14, 1991

MISTER CHAIRMAN AND MEMBERS OF THE COMMITTEE.

**MY NAME IS BRIAN CLYMER AND I AM THE
ADMINISTRATOR OF THE URBAN MASS TRANSPORTATION
ADMINISTRATION. I WELCOME THIS OPPORTUNITY TO
DISCUSS WITH YOU TODAY THE QUESTION OF MASS
TRANSIT PASSES, FEDERAL TAX POLICY FOR
EMPLOYER-PROVIDED TRANSPORTATION, AND RELATED
ISSUES.**

**I HAVE A VERY BRIEF OPENING STATEMENT TO READ;
I WILL THEN BE PLEASED TO ANSWER ANY QUESTIONS
YOU MIGHT HAVE.**

**MISTER CHAIRMAN, IN THE REALM OF URBAN,
SUBURBAN AND RURAL PUBLIC TRANSPORTATION, WE,
AS A NATION, ARE NOW ASKING QUESTIONS ABOUT
ASSUMPTIONS THAT HAVE LONG GONE UNCHALLENGED.**

**FOR EXAMPLE, WE ARE PAYING CLOSER ATTENTION TO
THE RELATIONSHIP BETWEEN FEDERAL TAX POLICY AND
FEDERAL TRANSPORTATION POLICY.**

**SOME SCHOLARS, FOR EXAMPLE, SAY WE ARE
OVERLOOKING IMPORTANT LINKAGES IN NOT EXAMINING
IN MORE DEPTH THE WAY SUCH CONCEPTS AS THE
DEDUCTIBILITY OF INTEREST PAID ON HOME
MORTGAGES AFFECTS THE SHAPE OF OUR URBAN AND
SUBURBAN AREAS AND THE RELATIVE IMPORTANCE WE
PLACE ON AUTOMOBILE VERSUS MASS TRANSIT
COMMUTING AND TRAVEL.**

OTHERS SAY WE HAVE BEEN DEFICIENT IN UNDERSTANDING THE KIND OF PRICING MECHANISMS THAT MIGHT BE USED TO LEVY A MORE COMPLETE SHARE OF THE COST OF SINGLE-OCCUPANCY AUTOMOBILE USAGE ON THOSE WHO MAKE THE HEAVIEST DEMAND ON CONGESTED URBAN AND SUBURBAN ROADWAY SYSTEMS.

THIS MUCH I BELIEVE IS TRUE, HOWEVER.

WE ARE NOW COMING TO UNDERSTAND THE COMPLEX CROSS-SUBSIDIES INHERENT IN THE PATTERNS OF AUTOMOBILE AND MASS TRANSPORTATION USE IN OUR COUNTRY.

SO WITH OUR FAITH IN FREE MARKETS UNDIMINISHED, WE ARE NOW ATTEMPTING TO UNDERSTAND MARKET PRINCIPLES BETTER AS WE SORT OUT OUR TRANSPORTATION PROBLEMS AND ESTABLISH OUR NEW PRIORITIES.

ALL OF THIS IS THE BACKGROUND AGAINST WHICH WE MUST EXAMINE THE ISSUE OF EMPLOYER-SUBSIDIZED COMMUTING AND EXISTING FEDERAL TAX POLICY.

SPECIFICALLY, OF COURSE, I AM TALKING ABOUT THE CURRENT SITUATION THAT ALLOWS EMPLOYER-PROVIDED PARKING TO BE REGARDED AS A TAX FREE BENEFIT, WHILE THE TAX-EXEMPT LIMIT FOR THE MASS TRANSIT SUBSIDY AN EMPLOYER MAY CHOOSE TO PROVIDE WAS CAPPED, UNTIL RECENTLY, AT \$15 A MONTH.

LET ME ALSO MENTION THAT IT IS NOT ONLY THE DEPARTMENT OF TRANSPORTATION THAT IS CONCERNED ABOUT THIS ISSUE. THE PRESIDENT'S NEW NATIONAL ENERGY POLICY IS EQUALLY FORCEFUL IN CALLING FOR EQUITY BETWEEN THE MODES ON THIS QUESTION.

CONSISTENT WITH THIS POSITION, THE DEPARTMENT OF THE TREASURY HAS RECENTLY PROPOSED THAT THE MASS TRANSIT SUBSIDY CAP BE RAISED TO \$21 A MONTH, EFFECTIVE JULY 1st OF THIS YEAR.

CAREFUL ANALYSIS AND REVIEW IS OBVIOUSLY REQUIRED BEFORE ADOPTING A FINAL COURSE OF ACTION. OUR CAUSE WILL NOT BE FURTHERED BY ACTING EITHER PRECIPITOUSLY OR UNWISELY.

I CAN SAY THIS; WE AT THE URBAN MASS
TRANSPORTATION ADMINISTRATION HAVE BEGUN TO
CONDUCT PRELIMINARY STUDIES ON THIS MATTER,
AND WILL CONTINUE TO DO SO.

AS THIS ISSUE IS DEBATED AND DISCUSSED, WE ARE
WILLING TO WORK WITH THE COMMITTEE, AND ITS
STAFF, IN PROVIDING COST ESTIMATES AND OTHER
ANALYSES FOR VARIOUS PROGRAM OPTIONS AND
COMBINATIONS.

ONE FINAL POINT IF I MAY, MISTER CHAIRMAN.

GETTING EMPLOYERS MORE INVOLVED IN THE WHOLE
TRANSPORTATION PROCESS CAN HAVE ENORMOUS
BENEFITS IN THE LONG RUN.

THE MARKETING OF MASS TRANSPORTATION TODAY BY A
TRANSPORTATION PROVIDER ASSUMES A SERIES OF
INDIVIDUAL CHOICES ON THE PART OF POTENTIAL
CUSTOMERS ... DAY AFTER DAY AFTER DAY, ONE
TRIP AT A TIME.

BRING THE EMPLOYER INTO THE PICTURE, THOUGH, AND THE TRANSPORTATION PROVIDER QUICKLY SHIFTS FROM BEING A RETAILER OF ITS PRODUCT TO BEING A WHOLESALER.

VERY DIFFERENT KINDS OF PRINCIPLES ARE BROUGHT INTO PLAY ONCE SUCH A SHIFT LIKE THIS TAKES PLACE.

BECAUSE THEN THE TRANSPORTATION PROVIDER AND THE EMPLOYER CAN SIT DOWN AND DO SOME SERIOUS NEGOTIATING WITH EACH OTHER ... NEGOTIATING OVER RATES OF FARE AND STAGGERED WORK HOURS AND GUARANTEED MONTHLY VOLUME AND EVEN CHANGES IN SERVICE AND SCHEDULES.

A TWO OR THREE PERCENT CHANGE IN THE RATE OF FARE AN INDIVIDUAL TRANSIT RIDER PAYS IS INSIGNIFICANT AND HAS LITTLE MEASURABLE IMPACT ON THE OVERALL BEHAVIOR OF TRANSIT RIDERS.

A TWO OR THREE PERCENT DIFFERENTIAL IN TRANSIT FARE TO AN EMPLOYER WHO IS ACTING AS AGENT FOR A LARGE WORKFORCE MAY WELL BE EXACTLY THE KIND OF THRESHOLD THAT CAN INDUCE MAJOR CHANGES THAT WILL HELP MAKE MASS TRANSPORTATION MORE EFFICIENT, MORE PRODUCTIVE AND MORE APPEALING.

IF THIS SOUNDS RADICAL AND DIFFERENT, STOP AND CONSIDER THAT IT IS EXACTLY WHAT HAPPENS TODAY WHEN EMPLOYERS PROVIDE PARKING FOR THEIR WORKFORCE.

FEW EMPLOYERS MERELY UNDERWRITE RETAIL PARKING COSTS, WHATEVER THEY HAPPEN TO BE, AT LOCAL LOTS AND GARAGES.

THEY TAKE ADVANTAGE OF THE VOLUME THEY REPRESENT AND WORK OUT ARRANGEMENTS IN A WHOLESALE FASHION.

MASS TRANSPORTATION IN OUR COUNTRY WILL REACH A NEW LEVEL OF MATURITY WHEN IT, TOO, CAN ENJOY THE BENEFIT OF SUCH COLLECTIVE ATTENTION.

**MISTER CHAIRMAN, THAT CONCLUDES MY FORMAL
STATEMENT.**

**I THANK YOU AND THE COMMITTEE FOR YOUR
ATTENTION AND FOR INVITING ME TO APPEAR BEFORE
YOU THIS MORNING/AFTERNOON.**
